
**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA :
 : Hon. Jessica S. Allen
 :
 v. : Mag. No. 23-8076
 :
 PHILLIP GALLES : CRIMINAL COMPLAINT
 :
 : **FILED UNDER SEAL**

I, Darryl Williams, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am an Inspector with the United States Postal Inspection Service, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.

/s/ Inspector Darryl Williams

Inspector Darryl Williams
U.S. Postal Inspection Service

Inspector Williams attested to this Affidavit by telephone pursuant to F.R.C.P. 4.1(b)(2)(A) on this 10th day of May, 2023

/s/ Honorable Jessica S. Allen

HONORABLE JESSICA S. ALLEN
UNITED STATES MAGISTRATE JUDGE

ATTACHMENT A
(Wire Fraud)

From in or around October 2019 through in or around May 2023, in the District of New Jersey and elsewhere, defendant

PHILLIP GALLES

knowingly and intentionally devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing and attempting to execute such scheme and artifice, did knowingly transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, the following writings, signs, signals, pictures, and sounds, to wit, an interstate wire related to the wire transfer, sent on or about September 7, 2022, of approximately \$100,000 fraudulently obtained from Victim-2.

In violation of Title 18, United States Code, Sections 1343 and 2.

ATTACHMENT B

I, Darryl Williams, am an Inspector with the United States Postal Inspection Service. I have conducted an investigation and discussed this matter with other law enforcement officers who have participated in this investigation and have knowledge of the following facts. Because this affidavit is being submitted for the limited purpose of establishing probable cause, I have not included each and every fact known to me concerning this investigation. I have set forth only the facts which I believe are necessary to establish probable cause. All dates and dollar amounts described in this affidavit are approximate and all conversations and statements described in this affidavit are related in substance and in part.

Overview

1. From in or around October 2019 through in or around May 2023, defendant PHILLIP GALLES (“GALLES”) defrauded his victims by falsely claiming that he would invest their money in commodity futures through his purported investment company called Tyche Asset Management (“Tyche”), based in Chicago, Illinois. As part of the scheme, GALLES and those working for him falsely told prospective investors that Tyche had a history of success using proprietary trading strategies. But in reality, Tyche made virtually no legitimate investments. And instead of applying investors’ funds to commodity futures trades as promised, GALLES used that money to pay back other investors and on his own personal expenses—including high-end clothing, rent on a luxury apartment, and luxury automobiles. In total, through his scheme, GALLES defrauded more than a dozen victims out of more than \$2 million.

The Scheme

2. At least approximately 50 victims gave GALLES and Tyche investment money based on claims that, among other things, Tyche had annual returns exceeding 100% and hundreds of millions of dollars under management. In reality, however, no Tyche-affiliated entity traded in commodity futures during calendar years 2020, 2021, or 2022, and the one Tyche account used to execute commodity futures trades in or around early 2023 never contained more than approximately \$26,000.

3. As discussed below, Victim-1, a professional photographer from Texas, and Victim-2, a mortgage professional from Texas, were among GALLES’s victims. Their experiences closely reflect that of other victims.

Victim-1

4. On or about January 28, 2021, after being referred to Tyche by a friend, Victim-1 received an “Executive Summary” from Tyche’s Client Relations Manager (“Individual-1”) that described Tyche as a “Fin-Tech company” that was “founded on Proprietary Trading while serving as a CPO/CTA [Commodity Pool

Operator/Commodity Trading Advisor] using proven algorithmically driver model-based methodology for the benefit of the Members of the LLC.” The Executive Summary further provided that “Our Hedge Fund solution is to address the growing problem of retirees falling short on the funds needed by providing additional income their Social Security, IRA’s, and 401K’s can’t provide.” The summary also claimed that Tyche’s 2020 annual returns were 237.73%.

5. Victim-1 subsequently spoke with GALLES before making any investment. When they spoke, GALLES made a number of misrepresentations to Victim-1, including that: (1) GALLES would be investing Victim-1’s money through Tyche in commodity futures and options; (2) Tyche’s 2021 annual returns were 100%; (3) Tyche used a low-risk investment strategy; (4) the fund was “liquid” such that Victim-1 could get her money back in 30 to 60 days if requested.

6. On or about February 2, 2021, in reliance on GALLES’s representations and those contained in the documents described above, Victim-1 wired approximately \$20,000 to a Tyche checking account. In or around 2021 and 2022, Victim-1 made additional investments in Tyche, totaling approximately \$240,000.

7. Victim-1 periodically received emails and documents from Tyche purporting to show substantial returns on her investments. Then in or around January 2023, after requesting a redemption on her investment, Victim-1 received approximately two wires from Tyche, for a total of approximately \$20,000. Also in or around January 2023, Victim-1 received a check for \$150,000, but when she attempted to cash it, the check bounced due to insufficient funds. Victim-1 received a third wire from Tyche, in or around February 2023, for approximately \$10,000.

8. As Victim-1 tried to redeem the remaining approximately \$190,000 of her investment, GALLES repeatedly provided excuses for why he was not returning Victim-1’s money. GALLES claimed, among other things, that he had switched banks, Tyche had been the victim of fraud, banks and wire payments were not working properly, and he was ill.

9. In response to follow-up texts from Victim-1, GALLES claimed that he had sent two cashier’s checks, each for \$100,000. But Victim-1 never received any cashier’s checks from GALLES. In or around April 2023, after Victim-1 received an unsigned check from Tyche for \$100,000, Victim-1 texted GALLES a picture of the check and asked him to just wire the money or send a cashier’s check. GALLES replied, “Shit I forgot to sign it for you. I will be back in [C]hicago tomorrow night. In NYC. Damn it.”

10. To date, Victim-1 has not received the remainder of her investment from Tyche or GALLES.

Victim-2

11. In or around August 2022, Victim-2 was introduced to Tyche through a friend and his mother-in-law, both of whom had previously invested in Tyche.

12. On or about August 29, 2022, Individual-1 sent Victim-2 a “tear sheet,” which claimed to provide information about a Tyche affiliate, and said that “Tyche is a new venture whose genesis is the vision of founder Phillip Galles.” The tear sheet provided historic performance information regarding the fund, claiming annual rates of return of 190.18% in 2020 and 133.22% in 2021, and a six-month rate of return in 2022 of 84.51%.

13. Based on those and other false representations, Victim-2 signed an “Investment Agreement,” dated on or about September 1, 2022, which GALLES also signed. The agreement claimed, among other things, that Victim-2’s funds would be invested consistent with Victim-2’s “investment objectives, financial circumstances and risk tolerance[.]”

14. On or about September 7, 2022, relying on the false and fraudulent representations in, among other things, the Investment Agreement and pitch materials, Victim-2 wired approximately \$100,000 into an account a Tyche bank account (the “Bank-1 Account”). Also on or about that same day, GALLES caused the following transfers and/or wires from the Bank-1 Account (all numbers are approximate):

- a. \$19,300 to pay one of GALLES’ credit card bills;
- b. \$14,800 to a jewelry store;
- c. \$10,000 to another victim in the scheme;
- d. \$9,000 to a bed and mattress store;
- e. \$3,200 to GALLES’ girlfriend; and
- f. \$6,000 to a luxury car rental company.

15. Thereafter, Victim-2 received quarterly statements from Tyche, claiming to show that Victim-2’s investment was steadily growing. For example, Victim-2’s earnings statement from the fourth quarter of 2022 showed that Victim-2’s investment was up 40%, and that Tyche’s annual rate of return was 137.39%.

16. In or around January 2023, Victim-2 asked to redeem \$50,000 from his Tyche investment. In response, GALLES signed a check for \$50,000 from Tyche to Victim-2, which bounced due to insufficient funds. GALLES then gave Victim-2 a number of excuses as to why he could not receive his money, including that Tyche

was having problems with Bank-1 and that GALLES had moved Tyche's funds from Bank-1 to Bank-2.

17. On or about March 24 and 31, 2023, GALLES messaged Victim-2 screenshots purporting to be of a Bank-2 account showing a pending balance of approximately \$20 million in one message, and a current balance of approximately \$17 million in another message. Those balances were fabricated and forged; neither GALLES nor Tyche held any accounts at Bank-2 with amounts anywhere close to that. In fact, as of late April 2023, the accounts held by GALLES and/or Tyche at Bank-2 each contained less than approximately \$1,500.

Undercover Operation

18. On or about April 13, 2023, after law enforcement learned about GALLES's scheme, an undercover law enforcement agent ("UC-1") contacted Tyche from New Jersey purporting to be an investment manager looking to make a large investment.

19. On or about April 18, 2023, during a lawfully recorded videoconference call with UC-1, who was located in New Jersey, GALLES claimed that, among other things: Tyche had over \$4.3 billion under management, split among five Tyche-branded entities; most of the money from those entities was all "pooled" for trading purposes; and Tyche returns were 137% in 2022, and approximately 29-30% year-to-date in 2023.

20. GALLES further claimed during the videoconference that he had a meeting the previous day and another meeting planned the following day with a well-known owner of a professional sports team ("Owner-1") who was interested in a potential investment. However, Owner-1 subsequently verified to law enforcement that he never heard of GALLES or Tyche, and never had any plans to invest in Tyche.

21. Shortly thereafter, GALLES sent UC-1 two emails that included copies of a Tyche "pitchbook" and two private placement memoranda for Tyche funds. The pitchbook touted a "data driven strategy" that "continuously evaluates thousands of securities prices" with "multiple layers of protection." The pitchbook also reported "Superior Risk-Adjusted Returns" that showed an annual return of 363.29% in 2020, and an annual return of 238% in 2021. The pitchbook further stated that the gross assets under management were \$266.2 million at the end of 2020 and \$797.9 million at the end of 2021.

22. Seeking to solicit an investment from UC-1, GALLES travelled from Chicago to New Jersey, where he met in-person with UC-1 on or about March 24, 2023. A second undercover agent ("UC-2") also attended the meeting and claimed to be a physician whose money was part of the pool managed by UC-1. During the meeting, which was video and audio recorded, GALLES claimed that from in or around 2020, Tyche had secured exorbitant returns on investment, including

approximately 336% returns in 2022. But many of the figures GALLES cited contradicted the figures provided to victims, including Victim-2, and contained in the pitchbook that GALLES sent UC-1.

23. During the same recorded meeting, GALLES made series of other false and fraudulent representations, which included the following claims that were either demonstrably false or directly contradicted by claims GALLES previously made to other victim investors (or both):

| GALLES's Fraudulent Claims | Proof of Falsity |
|---|---|
| GALLES claimed that Tyche currently used four specific futures commission merchants ("FCMs"), which referred to registered firms that acted as brokers in the purchase or sale of futures contracts or options on futures contracts. Using FCMs is typically required to trade in commodity futures or options. | Two of the FCMs confirmed that they had no accounts with Tyche-related entities or GALLES. The third FCM identified one Tyche account, which was opened but never used. The fourth FCM identified one open Tyche account, which was funded in or around September 2022 with approximately \$25,000, but otherwise received no additional funding. |
| GALLES held undergraduate and graduate degrees from a prestigious midwestern university ("University-1"). | According to University-1, GALLES does not hold any degrees, undergraduate or graduate, from University-1. |
| GALLES had previously started his own hedge fund in 2011, backed by billionaires, and that he sold that fund in 2018. | Those claims were contradicted by the tear sheet that GALLES sent Victim-2 and GALLES's financial records. |
| Within approximately 60 days of officially beginning Tyche, the fund had approximately \$2 billion under management, as a result of, <i>inter alia</i> , GALLES investing his own money and funds provided by a Kuwaiti sovereign fund. | Those statements conflicted with information in the Tyche pitchbook and with Tyche's and GALLES's financial records. |
| Owner-1 planned to invest approximately \$15 million in Tyche on or about May 1, 2023. | As discussed above, Owner-1 never heard of GALLES or Tyche, and never planned to invest in Tyche. |
| GALLES owned 122 cars, including certain high-end luxury vehicles, which he stored in a fortified warehouse he owned in Florida. | GALLES does not own any cars registered in Florida, but he spent approximately \$48,000 on luxury car rentals with company based in Florida. |

Lies to Regulator

24. Despite the conduct and representations described above, in approximately seven quarterly reports filed with the National Futures Association (“NFA”)—a self-regulatory organization for the United States derivatives industry—Tyche claimed that it did not possess any assets under management.

25. Moreover, on or about April 3, 2023, GALLES falsely told the NFA on a telephone call that Tyche did not have any outside customers, and that neither he nor anyone else at Tyche were soliciting customers.